NATIONAL EQUITIES, INC.

PAN AM BUILDING • 200 PARK AVENUE
NEW YORK, N.Y. 10017

Audited Financial Statements

National Equities, Inc. and Consolidated Subsidiaries

March 31, 1967

ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors
NATIONAL EQUITIES, INC.
New York, N. Y.

We have examined the consolidated balance sheet of National Equities, Inc. and consolidated subsidiaries as of March 31, 1967, and the related consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the consolidated financial position of National Equities, Inc. and consolidated subsidiaries at March 31, 1967, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

New York, N. Y.
June 2, 1967

NATIONAL EQUITIES, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	March 31 1967	March 31 1966
Cash	$ 3,264,913	$ 2,990,948
Marketable securities—at cost (subsequently sold for $2,206,400)	1,800,000	—
Notes and accounts receivable, less allowances 1967—$69,980; 1966—$160,938	1,154,322	1,063,709
Note receivable from Countrywide Realty, Inc.	—	3,100,000
Realty mortgages receivable—Note 2	2,355,583	1,918,367
Properties—on the basis of cost—Note 3:		
Land and land improvements	6,332,321	8,433,037
Buildings and related equipment	22,140,098	21,664,921
Equipment, furniture and fixtures, etc.	2,821,939	2,775,261
Construction in progress	9,438,709	5,023,174
Less accumulated depreciation and amortization	(7,242,371)	(7,190,868)
	33,490,696	30,705,525
Land held for development or sale—Note 4	36,396,660	34,514,767
	69,887,356	65,220,292
Boston Celtics basketball franchise and player contracts—at cost, less accumulated player contract amortization 1967—$825,811; 1966—$313,488	1,920,300	2,462,623
Investment in and notes due from unconsolidated subsidiary—at cost	—	791,385
Tenant alterations, etc., less accumulated amortization 1967—$313,782; 1966—$21,829	2,197,997	873,680
Prepaid expenses, deferred charges, and other assets	1,065,843	786,985
	$83,646,314	$79,207,989

See notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31	
	1967	1966
Mortgages and similar debt—Note 5	$35,696,574	$41,628,154
Notes payable—Note 6:		
Banks	9,983,408	6,675,000
Others	5,105,000	90,000
Accounts payable and accrued expenses	3,250,177	3,700,515
Estimated costs of future improvements to land sold—Note 7	303,876	572,210
Federal and Canadian income taxes payable	1,485,984	—
	55,825,019	52,665,879
Deferred federal and Canadian income taxes—Note 8	1,947,764	1,746,491
Unrealized profit on sales of real estate—Note 2	1,514,377	943,693
Unrealized gain on Canadian exchange	482,681	505,336
Minority interests—Note 1	1,563,331	3,362,477
Stockholders' equity—Note 9:		
Common Stock, par value $10 a share:		
Authorized 250,000 shares; issued 194,827 shares, including shares in treasury 1967—12,162; 1966—11,612	1,948,270	1,948,270
Capital surplus	18,552,718	18,552,718
Earned surplus	2,860,052	471,063
Less cost of Common Stock in treasury	(1,047,898)	(987,938)
Total stockholders' equity	22,313,142	19,984,113
Commitments and contingent liabilities—Note 10		
	$83,646,314	$79,207,989

See notes to consolidated financial statements.

NATIONAL EQUITIES, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year ended March 31 1967	Year ended March 31 1966
Income:		
Profit on sales of real estate (sales 1967—$16,445,155; 1966—$23,781,526; cost of sales 1967—$8,107,511; 1966—$18,177,198)	$ 8,337,644	$ 5,604,328
Profit on sale of brewery business less operating loss	—	2,328,285
Profit on sale of unconsolidated subsidiary	140,606	—
Rentals	2,535,435	1,747,991
Revenues from basketball team operations (including income from league expansion 1967—$320,000)	1,799,340	881,422
Interest and other income	351,083	802,967
	13,164,108	11,364,993
Expenses:		
Operating expenses:		
Land held for development or sale	920,914	—
Real estate	1,798,522	1,477,320
Basketball team	754,018	602,782
Administrative and general expenses (including net income applicable to minority interests 1967—$6,317; 1966—$578,628)	1,570,381	1,495,892
Interest	1,334,400	1,648,254
	6,378,235	5,224,248
Income before deducting depreciation and amortization, unrealized profit on sales of real estate and income taxes	6,785,873	6,140,745
Depreciation and amortization	2,195,558	2,002,659
Income before deducting unrealized profit on sales of real estate and income taxes	4,590,315	4,138,086
Unrealized profit on sales of real estate—Note 2	570,684	943,693
Income before income taxes	4,019,631	3,194,393
Provision for federal and Canadian income taxes (including deferred taxes 1967—$510,859; 1966—$1,308,545)	1,630,642	1,308,545
Net Income	$ 2,388,989	$ 1,885,848
Net income per share of Common Stock (based on average number of shares outstanding in each year)	$13.06	$ 9.75

See notes to consolidated financial statements.

NATIONAL EQUITIES, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNED SURPLUS

	Year ended March 31	
	1967	1966
Balance at beginning of year	$ 471,063	$ —
Net income for the year	2,388,989	1,885,848
	2,860,052	1,885,848
Less value (as determined by taking the average of the highest bid and asked prices on January 31, 1966) of shares issued in connection with 10% stock dividend, including $268,764 paid in lieu of fractional shares	—	1,414,785
Balance at end of year	$ 2,860,052	$ 471,063

See notes to consolidated financial statements.

NATIONAL EQUITIES, INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1967

NOTE 1—Certain transactions and principles of consolidation:

Prior to August 1, 1966, title to property in New Orleans was in the name of LaKratt Corp. (a wholly-owned subsidiary of the Company) for the benefit of a joint venture under an arrangement whereby the interest of LaKratt in the property was 80% and the interest of the co-venturer (an unaffiliated corporation) was 20%. On August 1, 1966, LaKratt Corp. purchased for $3,250,000, the co-venturer's 20% interest in the venture. The excess of the amount paid over the co-venturer's interest has been charged to land held for development or sale. The co-venturer's financial interest (represented by its advances to the joint venture and its share of the income) prior to its acquisition by LaKratt is included in minority interests in the accompanying balance sheet for 1966.

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The Company's investments in subsidiaries are carried at its cost adjusted for its equity (aggregate of $3,955,459 at March 31, 1967) in the undistributed net income of the subsidiaries since dates of acquisition. The carrying amount of the Company's investments in its consolidated subsidiaries at March 31, 1967 exceeded its equity in the related net assets by $272,364, which amount represents the excess of cost over equity in net assets of these companies at dates of acquisition. In consolidation, this excess has been charged to land ($46,541) and to land held for development or sale ($225,823).

The accounts (assets $14,450,253; liabilities $2,498,178) of Canadianwide Properties Limited included in the consolidated balance sheet have been translated to U. S. dollars at appropriate rates of exchange.

Certain 1966 accounts have been reclassified to conform with 1967 financial statement presentation.

NOTE 2—Realty mortgages receivable and unrealized profit on sales of real estate:

Realty mortgages receivable at March 31, 1967 includes (1) notes in the amount of $1,218,240 dated March 31, 1966, non-interest bearing, arising from the sale of approximately 16 acres of land owned by LaKratt Corp., due upon completion of certain improvements as explained below, (2) notes dated March 31, 1967, 6½% interest, arising from the sale of approximately 28 acres of land owned by LaKratt Corp., due $45,000 on March 31, 1969, $390,968 on March 31, 1970 and $271,626 on March 31, 1972 and (3) various notes totalling $410,701 dated in 1966 and 1967, 7% interest, arising from sales of 66 lots to individual purchasers with minimum down payments of 10% at the time of closing and balances due in monthly installments generally over a period of ten years.

The sales agreements covering the notes indicated as (1) above provided among other things (a) that the conveyance of the property to the purchaser was subject to an existing first mortgage on the property, (b) that LaKratt Corp. was to make certain improvements to the property within a specific period of time, and (c) that the balance on the notes was not to become due and payable until the provisions of the sales agreements were fulfilled. On the basis of present expected completion dates of the required improvements to the property, the notes should become due $612,040 about August 1, 1967 and $606,200 prior to March 31, 1968. The entire profit of $943,693 from these sales was not included in 1966 or 1967 net income, and the entire profit of $474,482 applicable to the notes indicated as (2) above was not included in 1967 net income in the accompanying consolidated statement of income.

NOTE 3—Properties:

Properties are stated at book amounts, on the basis of cost, without consideration of present realizable value; therefore no adjustment has been made for profit or loss, if any, in the event of future disposition.

NOTE 4—Land held for development or sale:

Land held for development or sale is stated at purchase cost plus improvements and carrying charges.

NOTE 5—Mortgages and Similar Debt:

Mortgages payable aggregating $35,625,991 mature as follows during fiscal years ending March 31; 1968—$5,774,512; 1969—$2,964,588; 1970—$6,351,530; 1971—$7,478,974; 1972—$2,650,438; and subsequent to 1972—$10,405,949.

A mortgage in the form of a construction loan in the amount of $70,583 represents advances on a final mortgage of $2,000,000. This mortgage is to be repaid in 118 equal monthly installments (including interest) commencing on February 1, 1969.

At March 31, 1967 mortgages and similar debt aggregating $35,696,574 are secured by underlying assets having a net carrying amount of approximately $61,000,000; and in addition $14,491,742 of such debt is also secured by the general credit of the Company and consolidated subsidiaries.

The interest rates of the mortgages and similar debt (exclusive of fees, etc.) range from 5½% to 12%. The average effective interest rate (exclusive of fees, etc.) is 7.07%.

NOTE 6—Notes Payable:

Notes payable are summarized as follows:

Banks:	
Due within one year, 5½% to 7½% interest, secured by substantially all of the Company's investment in the capital stock of Canadianwide Properties, Ltd. (See Note 1)	$ 9,250,000
Due on demand, 6½% interest, secured by 113 individual lots owned by LaKratt Corp. with a carrying amount of approximately $590,000 (improvement construction loan)	733,408
	$ 9,983,408
Others:	
Due April 1, 1968, 11½% interest, secured by approximately 80 acres of land owned by LaKratt Corp. and realty mortgages receivable in the amount of $340,847	$ 2,500,000
Due May 15, 1967, 6% interest plus $60,000 added to principal, secured by all of the outstanding shares of common stock of a consolidated subsidiary and in addition, the Company agreed to subordinate its advances to such subsidiary ($9,100,000) to this note (See Note 9)	2,060,000
Due April 7, 1967, 7½% interest, unsecured	500,000
Due January 1, 1968, 6% interest, secured by a realty mortgage receivable, etc. with a carrying amount of $45,000	45,000
	$ 5,105,000

A loan agreement contains, among other things, restrictions whereby the Company has agreed not to declare or pay any dividends (other than stock dividends) on its capital stock, and to limit its purchase of its own shares to 25,000 shares at a price not to exceed $100 a share.

Interest rates on the notes payable above are exclusive of fees, etc.

NOTE 7—Estimated costs of future improvements to land sold:

At March 31, 1967 the unexpended estimated future costs to complete the land improvements in sections from which land had been sold was estimated at $2,600,000 of which $303,876 was applicable to land already sold. Accordingly, provision for this amount has been accrued in the accounts and charged against cost of sales of land.

NOTE 8—Federal and Canadian income taxes:

The provision for income taxes is based on financial statement income after certain adjustments and after deducting investment tax credits. The deferral of the provision for income taxes is attributable to (a) certain deductions taken for tax purposes (principally real estate taxes and interest) capitalized for financial reporting purposes during periods of construction, (b) inclusion of the operations of a subsidiary (River Towers Corporation) for the period from April 1, 1966 to October 28, 1966 (date of sale) not consolidated in these financial statements, and (c) the use by a Canadian subsidiary of depreciation deductions for tax purposes that exceeded amounts recorded for financial reporting purposes.

Tax returns are subject to review by federal, Canadian and state taxing authorities. It is the opinion of management that such review will have no materially adverse effect on the consolidated financial statements.

NOTE 9—Stock Warrant:

In connection with a note payable in the amount of $2,060,000 the Company issued to the lender warrants exercisable to November 1969 to purchase 7,500 shares of common stock at $80 per share (See Note 6).

NOTE 10—Commitments and contingent liabilities:

The Company has granted an option to the City of New York expiring in July, 1967, to purchase certain of its real estate at a price substantially in excess of the carrying amount thereof.

As of March 31, 1967 the Company was obligated under various leases having annual rentals of $443,000 through 1969 and decreasing thereafter through 1987.

Several suits, including two stockholders' derivative actions on which settlement agreements have been reached, subject to court approval, and claims are pending against the Company, and its subsidiaries. It is the opinion of management, on the information furnished by counsel, that any ultimate liability will have no materially adverse effect on the consolidated financial statements.

The Company and its subsidiaries had commitments at March 31, 1967, for future expenditures, as follows: construction of buildings $3,772,146, construction of streets $1,854,249 and other contracts $1,578,489.

As of March 31, 1967 the Company is contingently liable in the amount of $515,000, for a secured installment note receivable sold.

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NATIONAL EQUITIES, INC.

MARVIN KRATTER

ANNUAL REPORT

June 30, 1967

BOARD OF DIRECTORS

MARVIN KRATTER	*President and Chairman of the Board; Chairman of the Board of Canadianwide Properties Limited* *President of LaKratt Corp. and Nevada Equities Inc.*
CLARENCE H. ADAMS	*Vice President, Treasurer and Director; Vice President and Director of Canadianwide Properties Limited, LaKratt Corp. and Nevada Equities Inc.*
CAESAR L. PITASSY	*Director; Senior Partner in the law firm of Royall, Koegel, Rogers & Wells who are general counsel to the Corporation*
DANIEL G. ROSS	*Director; Senior Partner in the law firm of Becker, Ross & Stone*
JOHN J. WALDRON	*Director; Vice President of the Company and President of the Boston Celtics Basketball Club*

SALIENT DATA

EXECUTIVE OFFICES—*Pan Am Building, 200 Park Avenue, New York, New York 10017*

SHARES OF AUTHORIZED COMMON STOCK—*250,000*

SHARES OF ISSUED AND OUTSTANDING COMMON STOCK—*179,226*

TRADED OVER-THE-COUNTER

TRANSFER AGENT—*The Chase Manhattan Bank (National Association)*

REGISTRAR—*Franklin National Bank*

PRINCIPAL BANKS—*Franklin National Bank,*
Royal National Bank of New York,
Israel Discount Bank Limited,
The First National Bank of Boston,
Security National Bank of Long Island

GENERAL COUNSEL—*Royall, Koegel, Rogers & Wells*

INDEPENDENT PUBLIC ACCOUNTANTS—*Ernst & Ernst*

STOCKHOLDERS—*approximately 10,000.*

A diversified publicly owned company engaged in creating income-producing land and businesses through development, construction and acquisition activities.

NATIONAL EQUITIES, INC.

PAN AM BUILDING • 200 PARK AVENUE
NEW YORK, N.Y. 10017

June 30, 1967

To our Stockholders:

Enclosed herewith you will find your proxy and a copy of the Company's Audited Financial Statements as at March 31, 1967, together with the Notice of Annual Meeting of Stockholders and Proxy Statement.

The meeting of stockholders this year will be held in New Orleans. This is in accordance with the practice of the Company to rotate the location of meetings of stockholders (our first meeting was held in New York City and our second meeting was held in Toronto, the home of our Canadianwide Properties Limited development) so that stockholders in different sections of the country will have an opportunity to attend and see our properties and provide the officers and directors of the Company with an opportunity to meet and exchange views with a geographical cross-section of our stockholders. In addition, New Orleans is the site of the Company's most important real estate development. The meeting will be held in our new Regency Park Clubhouse which is located in Lake Forest, so that stockholders will be able to be shown the progress which has been made in converting our holdings into one of the finest "City-Within-A-City" developments in the country.

We hope that many of you will be able to attend the meeting in New Orleans on July 13, 1967. Whether or not you plan to attend, please sign and return the proxy card to authorize the voting of your shares. Your vote is important regardless of the number of shares you own, and a prompt return of the proxy card will be appreciated.

A self-addressed postpaid envelope is enclosed for your convenience.

Many interesting and productive things have happened in your Company since we wrote to you in connection with last year's annual meeting. We shall attempt to report to you on these happenings in connection with the various major properties and subsidiaries of the Company.

Your management is quite proud of the results achieved this year which shows net income per share of $13.06 on an approximate book value of $122.00 per share (which represents better than 10% after taxes and other deferred items) and better than 15% on the approximate $85.00 per share market price of the stock as of this date.

We are most optimistic about the Company's future and hope this coming year to achieve even better results in the per share earnings than the approximate 34% increase achieved this year over last.

Canadianwide Properties Limited
Toronto, Ontario, Canada

All but one of the parcels of land held by our Canadianwide subsidiary have now been sold. This parcel of land, comprising about 8½ acres, is located at the southwest corner of Don Mills Road and Overlea Boulevard in the Municipality of Metropolitan Toronto. The land is presently zoned partially for commercial purposes and partially for private dwellings, but its location in proximity to other high rise apartment developments would indicate that it might in the future be rezoned for apartment purposes.

This parcel has been subject to numerous offers conditioned upon the ability of the purchaser to procure rezoning for high rise apartments. The offers, subject to rezoning, have been in the neighborhood of approximately $1,400,000. As soon as the rezoning can be obtained, we anticipate being able to sell this parcel (subject to its prior sale at auction) to one of the various interested purchasers.

In addition to this parcel of land, Canadianwide owns the following:

(1) Two enclosed air-conditioned mall shopping centers known as Thorncliffe Market Place and Towne and Countrye Square, both located in the Municipality of Metropolitan Toronto.

(2) A first mortgage in the sum of $1,980,000, due June 30, 1968, with interest payable monthly at the rate of 9% per annum. This mortgage is secured by a parcel of land comprising about ten acres located at Overlea Boulevard and Thorncliffe Park Drive in the Municipality of Metropolitan Toronto. The total sales price of land was $2,180,000, with the purchaser paying in cash the sum of $200,000. This property also is in the process of rezoning and, if rezoning is not obtained by the purchaser, it is conceivable that the mortgage may not be paid.

When approved by stockholders, Canadianwide proposes to offer these properties for sale or, if previously sold, the purchase money mortgages, if any, resulting from such prior sale, at a public auction. A minimum upset auction price will be established for the properties below which they will not be sold. This upset price for the two shopping centres, which will be sold together subject to the lease described below, has been established at $9,000,000 and for the land on Don Mills Road and Overlea Boulevard at $500,000. Prior to the auction sale, the Company will enter into a 99-year lease on the shopping centres with its wholly-owned subsidiary Thorncliffe Realty (Leaside) Limited at a net annual rental of $900,000. All of the issued and outstanding shares of this subsidiary will be offered at the auction sale with a minimum upset price of $250,000. Bidders will be required to make a cash deposit of 10% of the minimum upset price before being entitled to bid on any of these properties. In the case, however, of the shares of Thorncliffe Realty (Leaside) Limited, the deposit will be the full upset price and no extended terms will be offered. In the case of each of the other principal properties, at least one-half of the purchase price is to be paid in cash on completion of the sale and the balance may be represented by a one-year purchase money first mortgage, bearing interest at the rate of nine (9%) percent per annum, to be given back to the Company.

You will also be interested to learn that the Board of Directors of Canadianwide has presented a proposed resolution to Canadianwide stockholders to authorize the sale of all of the assets of Canadianwide and the liquidation and dissolution of the Company. In a statement to its stockholders dated June 20, 1967, Canadianwide stated as follows:

> "There are a number of factors which make the sale of assets and surrender of the charter of the Company advisable at this time. Most of the land owned by the Company has now been either developed or sold and there is, therefore, little opportunity for further expansion and development of the Company's business. To acquire further property for development at this time would involve substantial risks due, among other things, to the shortage of mortgage funds for construction and development purposes in Canada. There is also a scarcity of funds available in the United States for foreign investment or loans. In addition, the management of the Company's existing properties will involve administrative costs which will no longer be offset by income from property sales and development activities. Finally, major changes to Canadian income tax laws, which are presently under discussion, add an element of uncertainty to the Company's future."

This authorization will be voted upon at the Canadianwide annual meeting of stockholders to be held on Wednesday, July 5, 1967, in Toronto, and, since Thorncrat now owns 1,953,446 shares out of 1,980,000 shares of Canadianwide now outstanding or approximately 98.66%, the liquidation and dissolution of Canadianwide will probably be approved.

Upon the shareholders' approval, the properties of Canadianwide that have not then been sold (or the mortgages emanating from any sale) will be offered at public auction. National Equities, Inc. through Thorncrat Limited or other subsidiary or affiliated companies will be a bidder at the public auction sale and will bid an amount for each property at least equal to the minimum upset price. Both of the shopping centers above mentioned and the land above described are owned by Canadianwide free and clear of any mortgage indebtedness.

A stockholders' derivative action for the benefit of Canadianwide and its shareholders, in which National Equities, Inc. was a defendant along with others, has been settled and the settlement approved

by the United States District Court for the Southern District of New York on Tuesday, June 27, 1967. The settlement provided for the rescission of the transaction whereby Thorncrat acquired 1,000,000 shares of Canadianwide stock for $5,000,000 (Canadian) and the $5,000,000 paid for such shares by Thorncrat will be returned to it and, in addition, the payment of $1,250,000 (Canadian) will be made to National Equities, Inc. as interest on the $5,000,000 above stated.

It is now hoped that the complete winding up and liquidation and dissolution of Canadianwide can be accomplished in the very near future.

Aluminum Can Company, Inc.
Danbury, Connecticut

As you may recall, one of the subsidiaries of the brewery business formerly owned by us (known as the Jacob Ruppert Brewery Company) was engaged in the construction of a plant and equipment for the manufacture of aluminum beer cans.

Once the brewery business was sold it was really not logical for the Company to continue in the aluminum can manufacturing business and so we are now happy to report the sale of this business to National Can Company for approximately $4,600,000. This sale has made available for the Company approximately $1,600,000 in cash and has relieved us of liability on a $3,000,000 note and mortgage, a debt originally incurred for the construction and equipment of the plant. Happily, we were even able to realize a small profit on this transaction.

The former J. C. Penney Building
330 West 34th Street, New York City

We are happy to report that we have been able to replace the short-term (one year) $4,500,000 mortgage that we had on this property with a fifteen year $8,000,000 new first mortgage on favorable terms. We have also entered into an agreement with a major life insurance company to purchase the land under this property for $2,500,000 (subject to a long-term leaseback to one of our wholly-owned subsidiaries). The original purchase price of this property was $6,000,000, and we have completed extensive alterations and modernization enabling us to lease approximately 69% of the property to various tenants including the City of New York, the State of New York, and many other high-grade tenants. National Equities, Inc. has taken a lease (from its subsidiary, Stacrat Corp.) on the remainder of the unleased space in the building and expects to sublease this space in the very near future. We are extremely pleased with the results of our investment in this property.

Civic Plaza Building
Baltimore, Maryland

At the end of last year, we sold this property to a corporate investor and took a long-term leaseback. As part of the sale price, we accepted securities of a New York Stock Exchange company, with a market value, on the day of closing of title, of approximately $1,800,000, and we have, since the settlement date, resold these securities for a price in excess of $2,200,000. The building is virtually 100% occupied with extremely high-quality tenancy, and we anticipate in the future the profitable sale of our leasehold.

River Towers
Minneapolis, Minnesota

We have sold our entire interest in this Minneapolis apartment development to our minority partner in its ownership, and have also sold the note receivable which we accepted as part payment for this sale. We realized an attractive profit on this disposition.

Jacob Ruppert Properties
New York City

We are pleased to advise that, as of the date of this letter, we have sold approximately one-third of this 7½ acre tract of land and buildings in New York City to the City of New York for use as a

high school, and we have been advised that, pursuant to the action of the New York City Board of Estimate on June 22, 1967, authorizing the acquisition of the remainder of this property (pursuant to an Option which we had granted to the City of New York), it is reasonably anticipated that, on or before July 7, 1967 (the Option expiration date), this Option may be exercised. If this Option is exercised, the proceeds of the sale of our New York City and other Ruppert miscellaneous holdings will exceed $12,000,000, and will relieve the Company of an original mortgage debt of $7,350,000 encumbering this property, as shown in our statement of March 31, 1966. We now own only one small Ruppert property in Calverton, Long Island, and with the anticipated location of the new Metropolitan Jet Port in this general area, we will hopefully be able to dispose of this one of the last two Ruppert properties still owned by us.

The other one is an approximate 100 acre tract of land in Carmel, New York, originally acquired for the proposed site of a new brewery. We believe that this new parcel, too, will be sold in the near future.

Boston Celtics Basketball Club

As part of our Ruppert operation we acquired the Boston Celtics Basketball Team in September 1965. Our two year ownership of this world famous athletic venture has brought us substantial profits. At a press meeting at the end of the 1966 season, we announced the fact that the Celtics were for sale since we felt that without a brewery product association they would not fit into our corporate picture. We have been actively negotiating for the sale of the Club at a substantial profit and we are hopeful that a sale may be consummated prior to the opening of the 1967 season in October. Originally the entire purchase price of this investment was supplied by a five year bank loan of $3,000,000 from a large Boston Bank. This loan has presently been reduced to $2,200,000 solely out of the proceeds of the Club's operations.

Las Vegas Property—Nevada

In September 1965 through our wholly-owned subsidiary, Nevada Equities, Inc., we acquired for $12,000,000 a 412 acre tract (less than $30,000 per acre) of land one block off the famous "Strip" in Las Vegas, Nevada. On the title date we sold 20 acres of this property to the Las Vegas Convention Center at a price substantially in excess of its cost per acre. Since its acquisition, we have almost fully developed this property encircling approximately 75% of it with a masonry guardhouse entry wall and have constructed 261 home sites with private streets and full underground utilities. We have built a 7,000 yard golf course adjacent to and as part of these home sites and we expect this course to attract international recognition. We are presently in construction on a $2,000,000 two-level clubhouse for which interim financing and long term mortgage financing have already been obtained. We expect play on the course to commence in September 1967 and expect to begin the sale of memberships upon completion of the clubhouse later this year. At the present time we are commencing the construction of thirty-three Georgetown-style townhouses on nine lots in the home site area. The property has been fully rezoned providing for hotel and apartment sites, as well as the residential areas, and we have also procured zoning for substantial commercial frontage on Maryland Parkway and Desert Inn Road, two of the finest commercial streets in Las Vegas. In January of 1967, we sold a hotel site of approximately 64 acres for $5,000,000 in cash (a realization of approximately $80,000 per acre against an initial land cost of approximately $30,000 per acre). The buyer of that tract (the Chairman of the Board of Trans International Airlines Corp.) is already in design for the construction of a 1,500 room hotel which should substantially add to the value of our adjacent property.

New Orleans, Louisiana
Lake Forest (LaKratt Corp.)

We are pleased to advise you that in August 1966 we became the sole owner of the New Orleans property by acquiring for a price of $3,250,000 the outstanding 20% interest in the property held by NODC Corp. under a Joint Venture arrangement.

This property totaling approximately 5,000 acres was originally acquired beginning early 1965 with subsequent fill in additions. The total of approximately 5,000 acres of land was acquired for a price of

approximately $20,000,000. During the period of our ownership our sales of land (with the bulk of the acreage sold not located in the main Master Plan Area of development of the tract) have totalled a little under 500 acres and have produced a sales price of approximately $12,000,000. In addition to these sales activities, we have prepared and developed a major and a minor shopping center site (a local site of 15 acres and a regional site of 80 acres) and approximately 1,000 improved lots. We are presently under construction on the first 150 of a planned 338 unit townhouse development and are presently under construction on the local neighborhood shopping center. We have created several lakes for lakefront home sites and are engaged in selling these lots (which are in the main body of the tract) as well as other lots outside the Master Plan Area.

Our future in New Orleans appears to be exceedingly bright, and our optimism appears to be confirmed by virtue of the purchase by the Orleans Parish School Board and various church and medical groups of substantial quantities of land for community, educational and hospital facilities. Our initial land acquisition mortgages of approximately $14,000,000 have now been reduced to approximately $10,500,000, and we are in the process of procuring an additional $10,000,000 Standby Land Mortgage to become available to us in April of 1969 as a safety factor for future possible costs of development. The tempo of our sales and development has been enhanced by the opening of two new high rise bridges on arterial routes leading directly into our property. Engineering is now being completed for the construction of three additional interchanges spaced along the 6½ mile length of the Federal Interstate Highway #10, which approximately bisects the Master Plan portion of the overall tract along the Highway and on which there will be located a total of five interchanges, a unique phenomenon for an interstate highway. In addition, there will be service roads paralleling the highway along its entire length through our property. The substantial expansion of the Campus of the Louisiana State University at New Orleans, just a short distance from the entrance to our development and the location and construction of the Gulf States Research Institute in this closeby area, have created a tremendous focus for community interest in our development.

We are pleased to report that during this period the Company, in its purchase program in the market, has acquired since March 31, 1966, 7,036 more shares of National Equities, Inc. common stock. Since December 1965, the beginning of our stock purchase program, the Company has acquired 16,662 shares of its common stock in the open market, at an average price of $79.65 per share (as against a March 31, 1967 book value of approximately $122.00 per share).

We consider this to be the best investment in real estate that we can possibly find at this time, and are continuing to acquire our own stock as it becomes available at reasonable prices. As a result of the Company's Tender Offers to its stockholders who owned fractional shares of its stock, the number of fractional shareholders has been reduced from 10,680 to 2,008, and the total number of full shares of fractions now outstanding has been reduced from 3,804 full shares to 595 shares. This action has effected economies for the Company in the administration of these small accounts. As you are undoubtedly aware, these tenders for fractional shares were made first at $122.00 per full share and then after the payment of a 10% stock dividend at $109.00 per full share.

We do look forward to greeting you personally at the meeting and do hope that if you are not coming you will take the time and trouble to *promptly* forward your proxy in view of the nearness of the July 13th meeting date.

Sincerely,

NATIONAL EQUITIES, INC.

Marvin Kratter

MARVIN KRATTER
Chairman of the Board and President